



Sumitomo Forestry Group's Approach to Sustainability Management ▶ P.42

Five Material Issues ▶ P.44



- Identifying Material Issues P.44
- Medium-Term Sustainability Targets as Part of the 2021 Medium-Term Management Plan & ResultsComment P.46

Environment ▶ P.48

- Environmental Management P.48
- Identification and Measures for Environmental Risk P.50
- Addressing Climate Change P.51

Social ▶ P.54

- Stakeholder Relations P.54
- Human Rights Initiatives P.56
- Initiatives towards Sustainable Procurement P.57
- Diversity P.60
- Work-Life Balance P.61
- Human Resource Development P.62

Sustainability

The Sumitomo Forestry Group takes an integrated approach to business and ESG initiatives. We believe our corporate value will improve as a natural outcome of fulfilling the expectations of society, as expressed in SDGs, and in ways that cannot be explained by economics alone.

Sumitomo Forestry Group's Approach to Sustainability Management

Corporate Philosophy and Sustainability Management

The Sumitomo Forestry Group operates under its Corporate Philosophy to utilize timber friendly to people and the global environment and contribute to the realization of a sustainable and prosperous society through all types of lifestyle-related services according to Sumitomo's Business Spirit, which aims to be beneficial to society based on the principles of integrity and sound management. We have been operating based on this philosophy and engaging in sustainability management. We redefined the Sumitomo Forestry Group Code of Conduct in July 2017 so that it conforms to the requirements of society, such as recent international standards and initiatives.

We formulate various policies and guidelines according to these principles, such as our environmental, procurement and human rights policies. At the same time, we distribute guidebooks translated into English and other foreign languages in an effort to imbue these principles in each and every employee.

Through the monitoring of effectiveness and operational status by the Sustainability Committee, within the context of the Corporate Philosophy, Our Values and Code of Conduct, as well as proactive communications with stakeholders based on ISO 26000, Sumitomo Forestry will continue to engage in sustainability management with the ultimate aim of contributing to a sustainable society.

Formulation and Management of Medium-Term Sustainability Targets

In 2015, the Sumitomo Forestry Group identified five material issues and established a Medium-Term Sustainability Management Plan that specified strategies and targets for each issue. With fiscal 2020 set as the target year, each company and division within the Group has been engaged toward achieving those goals.

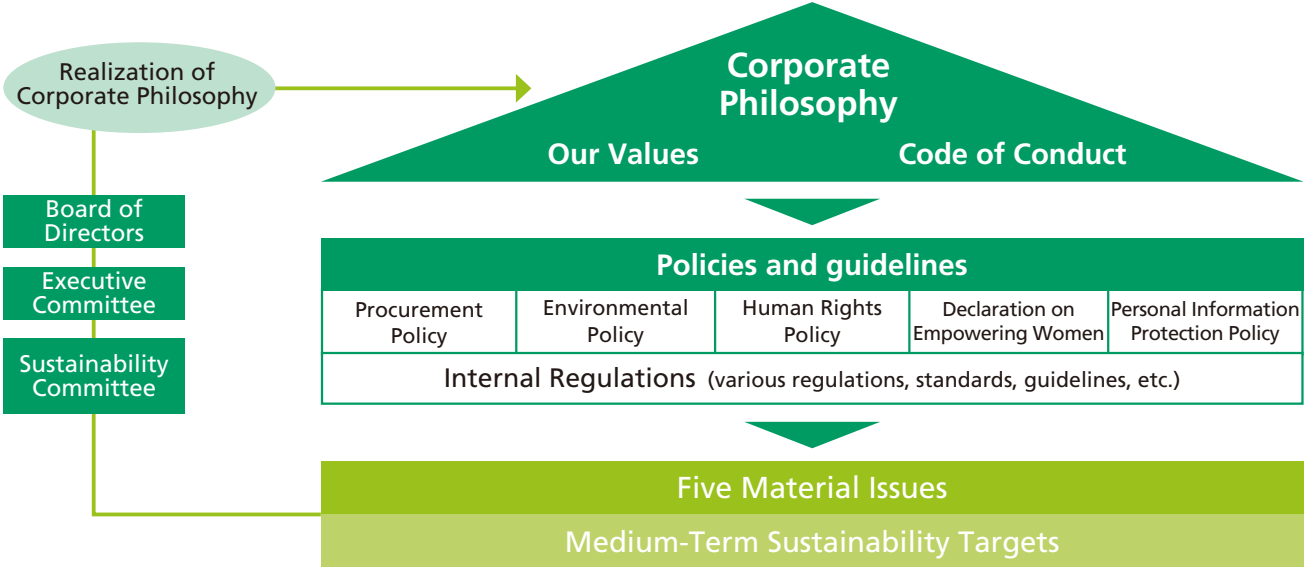
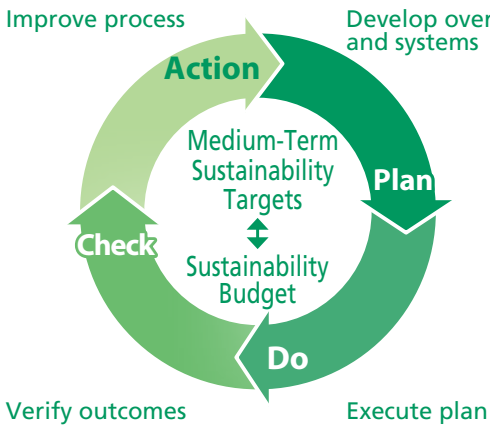
Interest in ESG has been higher than ever before, including moves to strengthen governance structures and to address risks related to climate change and human rights, amid technological innovation with advances in ICT and rapid changes in industry structures caused by accelerating globalization. Companies are expected to pursue growth while contributing to SDGs by solving these issues.

Affected by these changes to our business environment, we have determined that there is a need to work on promoting sustainability management to an even greater extent. In addition, the Medium-Term Sustainability Targets as part of the Sumitomo Forestry Group's 2021 Medium-Term Management Plan, which incorporates sustainability strategies and material issues, was newly formulated, and some of the five material issues were also revised.

In the Medium-Term Sustainability Targets, we establish 15 qualitative targets based on contributions to achieving SDGs and on our five material issues. In addition, we specified evaluative indices (quantitative goals) for each qualitative target item, which serve as our targets for fiscal 2021.

Each Group company and department has set a "Sustainability Budget" with numerical targets set for the fiscal year and commenced initiatives toward achieving these goals.

The Sumitomo Forestry Group fully implements a PDCA cycle for the progress and achievement of each target at the Sustainability Committee convened two times a year in addition to providing reports to the Board of Directors.



Material Issue	Target	Related SDGs
Ongoing timber and materials procurement that considers sustainability and biodiversity	① Management forests while mitigating climate change and protecting biodiversity ② Expanding the utilization of sustainable forest resources ③ Building sustainable supply chains	10, 12, 13, 15, 17
The development and sale of reliable and safe products and services that consider the environment and society	④ Increasing environmentally conscious products and services *including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3) ⑤ Creating an environment that considers biodiversity ⑥ Expanding businesses that contribute to resolving social issues ⑦ Promoting sustainable and innovative technological development	7, 9, 11, 12, 13, 15
The reduction of the environmental impact of our business activities	⑧ Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2) ⑨ Protecting resources, reducing the generation of waste and achieving zero emissions ⑩ Conserving and effectively utilizing water resources	6, 11, 12, 13
A vibrant work environment where a diverse workforce can unharness their skills and individuality	⑪ Creating a work environment that generates diverse ideas, job satisfaction and vibrancy ⑫ Securing human resources by training younger workers and utilizing older ones ⑬ Reducing long work hours through work style reforms ⑭ Eliminating occupational injuries	3, 5, 8
Corporate ethics and governance structures	⑮ Reinforcing risk crisis and compliance structures	16

Dissemination of SDGs

At the Sumitomo Forestry Group, we believe that it is crucial to disseminate and foster an understanding of SDGs by each and every employee as we contribute to the SDGs through our business activities. We undertake various initiatives to improve employee awareness, such as workshops and seminars that help them connect SDGs with business. In July 2019, the Sumitomo Forestry Group held the Midori and SDGs Seminar, a collaborative event at the head office of Kumagai Gumi Co., Ltd., with which it has a business and capital relationship. Around 250 employees from both companies participated in the seminar.

As an outside activity, the Sumitomo Forestry Group is cosponsoring the Nikkei SDGs Forum, a project run by the Nikkei Group to support companies in their efforts to achieve the SDGs from fiscal 2018.



A workshop to learn about linking SDGs and business

Five Material Issues

■ Identifying Material Issues






Following the changes in the economic, environmental and social situation, in March 2015, the Sumitomo Forestry Group identified new material issues. The Group surveyed both internal and external stakeholders as well as outside experts, receiving responses from about 2,700 people. In preparing the questionnaire, 27 issues most closely related to the Sumitomo Forestry Group were specified, based on the Sumitomo Forestry Group’s Corporate Philosophy and Our Values, and taking into account such matters as ISO 26000, the international standard on the social responsibility of organizations, and evaluation points linked to socially responsible investment (SRI). After incorporating management perspectives, the survey results were mapped out against axes of “management” and “stakeholders,” before determining the materiality of each issue. Twelve of these issues were identified as being highly material, and rearranged into five material issues.

In conjunction with the formulation of the Medium-Term Sustainability Targets in 2018, we also revised our material issues in light of new demands from society.

Material Issue

1

Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity



With businesses centered on wood, the Sumitomo Forestry Group promotes sustainable forest management and timber procurement both domestically and abroad. In procuring wood and timber products, we engage in management under specified numerical targets, placing it as an important theme of sustainability that encompasses environmental aspects such as climate change measures and biodiversity conservation as well as social aspects such as human rights.







With the increase in concern about forest depletion as one of the causes of climate change, demand for sustainability in

procurement of timber is on the rise. Amid these circumstances, the Sumitomo Forestry Group has declared the goal of handling all of its timber and timber products to be sustainable by fiscal 2021. We have heightened our evaluation criteria for sustainable timber procurement as we work to step up our confirmation system. As we continue to contribute to solving social issues, we have defined KPIs to establish timber procurement that achieves both forest resource utilization and biodiversity conservation.

Material Issue

2

The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society



The Sumitomo Forestry Group provides a full complement of products and services related to our customers’ lifestyles, beginning with housing. While it goes without saying that we attend to customer’s peace of mind and safety in providing products and services, we also believe that engaging in development and sales mindful of creating a sustainable society is a crucial role that our Group must fulfill.


One of the areas that we could contribute the most in reducing environmental impact is the reduction of greenhouse gas

emissions from housing. Net zero-energy houses (ZEH) and other housing measures in Japan offer guidance to promote eco-products as well as advocate excellent long-term housing as an asset. We have set targets for the ratio of orders we receive for ZEH and other environmentally friendly products to contribute to a sustainable society while serving customers in keeping with their needs by reducing household energy consumption through recommending houses built to ZEH specifications.

Material Issue

3

The Reduction of the Environmental Impact of Our Business Activities



With the impact of climate change becoming increasingly problematic on a global scale, companies are being asked to reduce emission of greenhouse gases that cause global warming and to implement energy-saving initiatives. In consideration of the environmental impact of these operations, the Sumitomo Forestry Group fully recognizes the importance of reducing greenhouse gas emissions and taking other measures to combat climate change through the promotion of strict energy-saving activities, renewable energy use and other efforts. With a medium- to long-term perspective of the future, in 2018, we

* Science Based Targets: A request for corporations to set scientifically matched reduction targets in order limit global warming to below 2°C

established greenhouse gas emission reduction goals for 2030, and were certified as SBT* in July 2018. Furthermore, Sumitomo Forestry joined RE100, an international initiative that aims to achieve 100% renewable energy for electricity used in Group business activities and for fuel used to generate electric power in the power generation business by 2040. In addition, to reduce environmental burden and more effectively utilize natural resources, we are promoting the reduction, reuse and recycling of industrial waste.

Material Issue

4

A Vibrant Work Environment Where a Diverse Workforce Can Unharness Their Skills and Individuality



The Group promotes a free and open-minded corporate culture that respects diversity in accordance with Our Values. We are also committed to securing an appropriate balance between work and individual commitments such as caring for children and the elderly, maintaining a safe and healthy work environment, and implementing regular educational and training programs to prepare for disasters,

accidents and so forth, as stipulated in the Sumitomo Forestry Group Code of Conduct established in 2017. Further, we are advancing development of a vibrant workplace where diverse human assets can be actively engaged without regard to gender, age, nationality, race, religion or disability.

Material Issue

5

Corporate Ethics and Governance Structures



With the background of globalization, diversification and expansion of our business, the Group is reviewing its philosophy structure. Sustainability management based on the Corporate Philosophy, Our Values, and Code of Conduct complies with international codes, international initiatives, and other social demands. In addition, we

are working to reinforce the mechanism for managing business risk—which also encompasses Group companies—by constantly managing prioritized risks through the Risk Management Committee while strengthening the Business Continuity Management (BCM) system as a measure against disasters.

Participation in the United Nations Global Compact

The ten principles of the United Nations Global Compact are based on globally established agreements, including the Universal Declaration of Human Rights and the International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work. They incorporate support of and respect for the protection of human rights and the eradication of forced labor and child labor. In December 2008, we formally signed the United Nations Global Compact to declare our support for its principles.



World Business Council for Sustainable Development (WBCSD)

Sumitomo Forestry joined the WBCSD* in January 2020, and has moved ahead with initiatives to solve social issues through business, including contributions to SDGs, in order to realize a sustainable society.



* World Business Council for Sustainable Development: A CEO-led organization of over 200 international companies that aim to achieve sustainable development, and help with the transition to a sustainable society.

Medium-Term Sustainability Targets as Part of the 2021 Medium-Term Management Plan & Results

The Sumitomo Forestry Group is changing the end of its fiscal year from March 31 to December 31, beginning after the fiscal year ended December 31, 2020. As a result of this change, fiscal 2020 refers to the irregular nine-month fiscal period that starts on April 1, 2020 and ends on December 31, 2020, and fiscal 2021 refers to the period from January 1 to December 31, 2021.

Material Issue 1 Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity						
Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2019 target	FY2019 results	FY2020 target	FY2021 target
Management forests while mitigating climate change and protecting biodiversity	Maintain and expand certified forest area	Domestic and overseas certified forest area (ha)	220,417	221,101	222,144	221,467
Expanding the utilization of sustainable forest resources	Expand seedling reforestation area in Japan and overseas	Area of forest plantation with in-house produced seedlings (ha)	6,553	7,770	7,456	7,920
		Number of seedlings supplied (ten thousand trees)	511	414	509	726
	Increase volume of fuel wood chips and pellets handled	Volume of fuel wood chips and pellets handled (t) ^{*1}	1,188,010	1,112,224	1,217,541	1,363,930
	Increase the amount of sustainable timber and wood products handled and used	Rate of sustainable timber and timber products handled (%)	89.0	89.8	93.0	100
Building sustainable supply chains	Update Sustainability procurement survey form and formulate survey plan	Rate of sustainable timber used as primary building material	80.0	80.6	100	100
		Sustainability procurement survey implementation rate in the supply chain of the domestic housing department (%) ^{*2}	65.0	86.0	88.0	80.0
		Sustainability procurement survey implementation rate of suppliers of imported timber (%) ^{*3}	100	100	100	100

*1 Refers to Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy, and Sumitomo Forestry's Timber and Building Materials Business *2 Percentage of annual purchase amount *3 Percentage of suppliers which implemented the Sustainability procurement survey as part of the Timber Procurement Committee's commitment to due diligence in the current fiscal year.

Material Issue 2 The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society						
Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2019 target	FY2019 results	FY2020 target	FY2021 target
Increasing environmentally conscious products and services	Promote energy-saving and standards for energy generation and conservation	Percentage of orders for ZEH type houses out of new custom-built detached housings	60.0	48.2	80.0	80.0
		Rate of orders for eco-friendly renovation (%)	50.0	52.4	55.0	60.0
		Sales of sashes, glass wool, and solar power generation systems in the building material business (millions of yen)	23,119	23,227	22,980	24,040
	Increase added value by carbon stock from use of timber	Carbon stock in wooden architecture in Japan (t-CO ₂)	190,676	193,072	199,417	199,509
	Propose products utilizing local saplings and natural cycles	Rate of orders for eco-friendly products ^{*1}	58.0	56.8	59.0	63.0
Creating an environment that considers biodiversity	Expand sales of local species	Number of local species sold (trees)	450,000	424,000	450,000	500,000
Expanding businesses that contribute to resolving social issues	Increase the number of rooms through new facilities construction	Number of rooms for private-pay elderly care facilities (rooms)	1,457	1,455	1,764	2,014
	Expand the Renewable Energy Business	Amount of electricity supplied in the Renewable Energy Business (converted to number of households) ^{*2}	217,768	219,628	220,486	373,826
Promoting sustainable and innovative technological development	Solve technical issues toward achieving the W350 Plan	Status of progress on the W350 Plan	Establish basic concepts towards realization of W30 Plan	Establish basic concepts towards realization of W30 Plan (study base design completed)	Establish basic concepts towards realization of W30 Plan (plan to design using actual properties)	Develop materials and implement basic designs towards realization of the W70 Plan

*1 Eco-friendly products are (1) Local saplings (2) Permeable pavement materials (3) Wall greening (4) Rooftop greening (5) Biotopes (6) Use of recycled materials *2 The amount of electricity supplied by renewable energy business annually converted to the number of households as 3,120 kWh a year per household

Material Issue 3 The Reduction of the Environmental Impact of Our Business Activities						
Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2019 target	FY2019 results	FY2020 target	FY2021 target
Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 and 2)	Reduce greenhouse gas emissions	Greenhouse gas emissions volume (t-CO ₂ e) compared to fiscal 2017	380,356 +2.9%	380,641 +2.9%	371,855 +0.6%	402,768 +8.9%
		Carbon efficiency (t-CO ₂ e / net sales (millions of yen))	0.341 (0.275) ^{*1}	0.345 (0.283)	0.311 (0.279)	0.318 (0.264)
Protecting resources, reducing the generation of waste and achieving zero emissions	Promote industrial waste separation	New housing construction sites ^{*2}	96.1	94.3	97.7	98.0
		Housing demolition work sites ^{*3} (Main section construction base)	98.0	99.9	98.0	98.0
		Renovation Business ^{*4}	80.0	74.2	82.0	84.0
		Power generation business	52.5	81.6	79.3	56.5
		Overseas manufacturing plants	97.9	97.5	98.2	98.0
		Domestic manufacturing plants	99.5	99.0	99.2	99.5
	Waste reduction Promote zero emissions	Lifestyle Service Business ^{*5}	95.2	90.8	93.1	98.0
		Final disposal volume of industrial waste (t) compared to fiscal 2017	58,860 -7.5%	55,515 -12.8%	56,632 -11.0%	54,087 -15.0%
		Total industrial waste emissions (amount of waste per detached home) (kg/building) compared to fiscal 2017	3,020 -9%	3,002 -10%	2,950 -11%	2,730 -18%
		Water consumption (1,000 m ³)	Lower than 2,981	2,936	Lower than 2,824	Lower than 3,011

*1 Figures in parentheses are calculated based on sales before applying the "Accounting Standard for Revenue Recognition" *2 For new housing construction sites of the Housing & Construction Division, Sumitomo Forestry Landscaping, and Sumitomo Forestry Home Engineering *3 Applicable to specified construction materials (concrete, ascon, wood waste) under the Construction Recycling Law added with metal *4 Applies to Sumitomo Forestry Home Tech renovation sites and excludes debris difficult to recycle and asbestos *5 Applies to emissions generated in the Lifestyle Services Business, housing-related materials sales, etc.

A Vibrant Work Environment where a Diverse Workforce Can Unharness Their Skills and Individuality

Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2019 target	FY2019 results	FY2020 target	FY2021 target
Creating a work environment that generates diverse ideas, job satisfaction and vibrancy	Promotion of women's participation and advancement in the workplace	Female employees in management positions (%)	Sumitomo Forestry 4.2 Consolidated in Japan 6.2	4.2 6.1	5.0 6.7	5.5 7.3
	Improve employee satisfaction	Employee satisfaction level (%)	Sumitomo Forestry 83.0 Consolidated in Japan - ^{*1}	78.8 58.6	81.0 61.5	85.0 Compared to FY2019 110
		Change in employee satisfaction compared to base year(%)				
Securing human resources by training younger workers and utilizing older ones	Develop human resources from a long-term perspective according to the revision of the evaluation system (April 2019) and evaluator training	Three-year turnover rate among newly hired graduates (%)	Sumitomo Forestry 17.0 Consolidated in Japan 15.3	15.6 13.1	15.6 10.2	15.0 12.9
	Enhance training programs	Training costs per employee (¥ thousand)	Sumitomo Forestry 120 Consolidated in Japan 65	102 46	132 66	132 66
		Total number of training participants (People)	Sumitomo Forestry 13,000 Consolidated in Japan 15,224	11,390 15,036	13,000 15,700	13,000 16,176
		Training time per employee (hours)	Sumitomo Forestry 13.7 Consolidated in Japan -	18.0	14.4	15.5
	Implementing interviews for retirees prior to full-term retirement at the beginning of the fiscal year	Employment rate over 60 (including rehires)(%)	Sumitomo Forestry 82.0 Consolidated in Japan 64.0	79.6 69.4	82.0 67.7	87.0 78.0
Reducing long work hours through workstyle reforms	Guidance for improvement to departments with low rates of paid leave use	Average paid leave taken by employees (days)	Sumitomo Forestry 12.3 Consolidated in Japan 10.0	11.5 10.6	13.5 10.6	14.0 11.3
	Expand departments using flextime and internal inspections	Average reduction rate of overtime hours compared to fiscal 2013 (%)	Sumitomo Forestry -27.6 Consolidated in Japan -3.3	-30.2 -12.9	-30.0 -9.9	-32.0 -11.3
		Average reduction rate of overtime hours compared to fiscal 2017 (%)				
Eliminating occupational injuries	Implement reciprocal safety audits and manufacturing department safety audits	Manufacturing sites (contractors and subcontractors)	0	9	0	0
		Plantation sites (Contractors)	0	3	0	0
		New Construction sites ^{*2} in Japan	0	20	0	0
		New Construction sites outside Japan	0	9	0	0
		Number of occupational injuries (One to three days of work leave)	New Construction sites in Japan	0	19	0
	Share case studies and implement risk assessments					

*1 No figures are available until fiscal 2018 because employee satisfaction surveys were administered biennially until then. They have been implemented annually since fiscal 2019. *2 The number includes sole proprietorships

Corporate Ethics and Governance Structures

Target	Specific steps based on issues and strategies	Indicators for evaluation (numerical targets)	FY2019 target	FY2019 results	FY2020 target	FY2021 target
Reinforcing risk crisis and compliance structures	Progress check of prioritized risk items set by the Risk Management Committee and share materialized risks	Progress of management for prioritized risks (conducted on a quarterly basis by the Risk Management Committee)	100	100	100	100
	Understand the extent of compliance awareness and enhance channels for reporting misconduct and compliance violations	Regular implementation and phased deployment of compliance awareness surveys	Sumitomo Forestry	Sumitomo Forestry	Major Group companies in Japan	All Group companies in Japan and some overseas
	Obtain external certification for Business Continuity Management (BCM)	Obtaining Resilience Certification	Sumitomo Forestry	Not conducted	Sumitomo Forestry and all Group companies in Japan	All Group companies in Japan
	Analyze and disclose potential financial impact from climate-related risks that could (potentially) have on the organization	Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Re-examination of analysis results and expansion of scope of application for two sectors: domestic Housing Business and Timber and Building Materials Business	Implement for two sectors, domestic Housing Business and Timber and Building Materials Distribution Business	Re-examination of analysis results and expansion of scope of application for two sectors: domestic Housing Business and Timber and Building Materials Business	Completion of re-examination of analysis results for all business departments, and incorporation into the subsequent medium-term plan

Environment

Environmental Management

The Group has established the Sumitomo Forestry Group Environmental Policy. The environmental policy applies to all manner of business processes and product lifecycles, including product and service development, design, production, materials procurement, distribution, waste management, supplier and partner selection, new business launches as well as mergers and acquisitions. Furthermore, “Co-existence with the environment” is an article of the Sumitomo Forestry Group Code of Conduct, which incorporates not only Group businesses, but supply chains as well. In this way, we promote business operations that contribute to a sustainable society.

Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, the Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity to nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

1. Develop business operations centered on wood and forests

We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.

2. Develop and offer environmentally conscious products and services

We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.

3. Minimize and improve environmental impact

To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.

4. Ensure strict legal compliance

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

5. Make continual improvements to our environmental management system

We will accurately assess environment-related risks associated with our business activities and, with a medium- to long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements.

6. Promote environmental education

We will provide environmental education for all parties involved in the Sumitomo Forestry Group’s business operations and encourage voluntary environmental efforts.

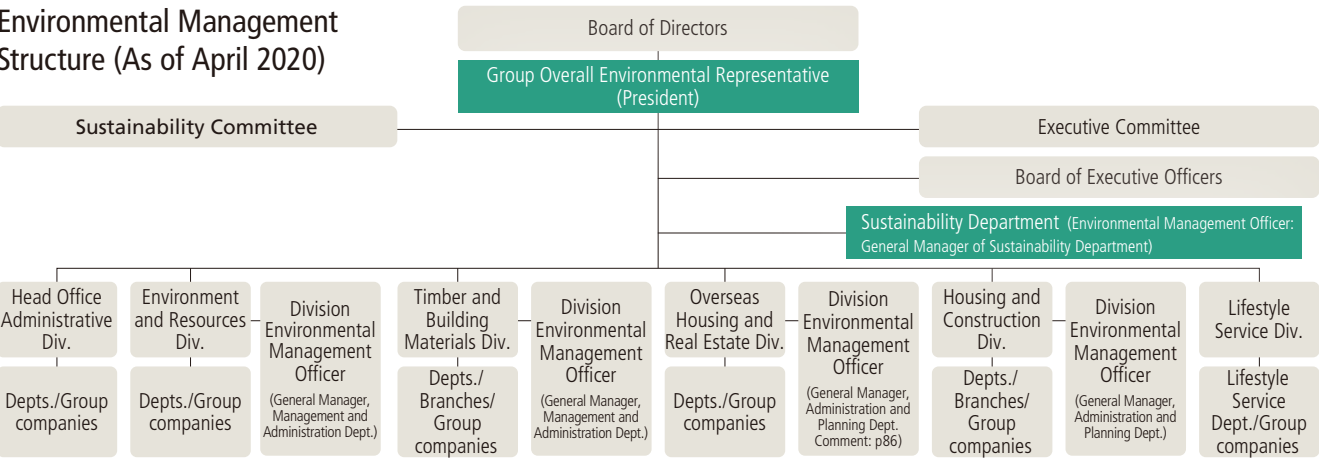
7. Pursue active communication

We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

Environmental Management Structure

To put its environmental policy into practice in business, the Sumitomo Forestry Group has put in place an environmental management structure with the top management in charge of environmental management. General Manager of the Sustainability Department, as the Environmental

Management Officer, compiles a sustainability budget with numerical targets on a fiscal year basis in each Group division. The Sustainability Committee periodically checks up on progress to enhance the effectiveness of environmental activities.



ISO 14001 Certification Status

Sumitomo Forestry introduced an environmental management system in fiscal 1995 and acquired ISO 14001 certification for a part of its custom-built detached housing business in fiscal 1997 ahead of other players in the housing industry. Certification was subsequently acquired for other operations, with all domestic departments and divisions in the Company achieving integrated ISO 14001 certification in fiscal 2002. The scope of certified Group companies has been extended to businesses with a substantial impact on the environment, and four Group companies are integrated in Japan. In addition, overseas manufacturing Group companies are proceeding with certification and six companies have already done so.

Domestic companies within the registration scope of ISO 14001 certifications are audited annually by external certification bodies. In fiscal 2019, 84 departments and divisions at five companies underwent renewal audit and changed assessment for ISO 14001:2015 (JISQ 14001:2015), and were approved to register for transition to the standard. In addition to reviews conducted by external certification bodies, internal environmental audits are periodically carried out by employees (i.e., internal environmental auditors) who have passed an exam upon completion of an in-house training course officially recognized by Japan Auditors Training Association (JATA) to become internal environmental auditors.

Sumitomo Forestry Group ISO 14001 Certification Status (As of March 2020)

Company Name		Date of Certification	Company Name	Date of Certification
Expanded Domestic Group Certification	Sumitomo Forestry (excluding overseas)	August 2002 ^{*1}	PT. Kutai Timber Indonesia (KTI)	July 2001
	Sumitomo Forestry Landscaping Co., Ltd.	November 2002 ^{*2}	Nelson Pine Industries Ltd. (NPIL)	July 2003
	Sumitomo Forestry Crest Co., Ltd.	September 2003 ^{*2}	PT. Rimba Partikel Indonesia (RPI)	October 2005
	Sumitomo Forestry Home Tech Co., Ltd.	March 2013 ^{*2}	PT. AST Indonesia (ASTI)	January 2007
	Japan Bio Energy Co., Ltd.	August 2014 ^{*2}	Vina Eco Board Co., Ltd. (VECO)	March 2014
			PAN ASIA PACKING LTD.	April 2017

^{*1} Certification was acquired by departments and divisions from 1997 before integrated certification was acquired for the entire Company
^{*2} Acquired by inclusion in Sumitomo Forestry’s scope of registration

■ Identification and Measures for Environmental Risk

We recognize that changes in the environment, such as climate change or biodiversity, may have an impact on our business activities. We therefore collect relevant information, conduct analyses when necessary, and make use of the results in business risk assessments.

Depending on the degree of risk, each department decides on specific measures and assessment indicators for risks that arise in day-to-day operations and delivers a progress report every quarter to the Risk Management Committee, while for longer-term risks, countermeasures are formulated by the Sustainability Committee. Moreover, risks with the potential to have a major impact on operations are reported to the Board of Directors for discussion on countermeasures. In fiscal 2019, the Sustainability Committee invited an outside instructor to lead a study group titled ESG Investment and Corporate Strategy: Risks and Opportunities. Discussions were held about specific issues related to climate change, such as changes in SBT certification standards and trends in RE100.

Risks and Strategies Related to Changes in Climates and Biodiversity

Risks Related to Natural Disasters

Damage from a major earthquake, wind, flood, or other destructive natural element could result in cost increases arising from interrupted operations at facilities or verification of safety in our housing products, delays in the completion of construction contracts, or other events. A significant increase in costs caused by a natural disaster could influence the Group's operating results and financial position.

< Strategy >

Sumitomo Forestry promotes sales of homes using its BF (Big-Frame) construction method, which offers high earthquake resistance, as well as disaster-resilient homes with functions that allow people to stay for a certain period of time even if lifeline services are disrupted. The Company is also creating services that offer rapid assistance in the event of a natural disaster by using IoT technology to remotely look for damage.

Risks Related to Changes in Timber Resources and Procurement Restrictions

Given that timber is our main material and the source of our products, depletion of timber resources or changes in vegetation as a result of climate change and the loss of biodiversity may mean that Sumitomo Forestry will incur costs and be forced to change suppliers if restrictions are put in place.

< Strategy >

Sumitomo Forestry imports timber from over 20 countries as a measure to mitigate the risk of changes in forest conditions and new regulations on timber procurement, and has dispatched employees to key countries in order to gather information and check the legality of timber procurement by headquarters staff. Also, Sumitomo Forestry was the first company in Japan to be registered as a Type 1 Wood-Related Entity under the Clean Wood Act that came into effect in May 2017, and makes a concerted effort to procure legally harvested timber for the entire Group.

Risks Related to Mandatory Emission Reductions

As the movement to reduce greenhouse gas (GHG) emissions gains momentum globally, there is the possibility that reduction of GHG emissions will be imposed upon businesses in countries where the Sumitomo Forestry Group has a presence. If Group companies with bases in these countries are unable to meet reduction targets, they will be required to purchase carbon emission credits, a risk that will increase business costs. In Japan as well, introduction of a new carbon tax could influence business activities and costs.

< Strategy >

We have set greenhouse gas emission reduction targets for each Group company and business division, and work to reduce emissions in line with targets set each fiscal year. In addition to these actions, we have promoted reduction of energy consumption.

Risk Related to Energy Supply Shortages

In countries such as New Zealand for example, which consumes electricity generated by hydropower plants, operations at our Group's plants that use hydroelectric power could come to a halt if dam levels fall as a result of less rainfall and hydroelectric power transmission is suspended.

< Strategy >

We have set greenhouse gas emissions reduction targets for each Group company and business division, and work to reduce emissions in line with targets set each fiscal year. In addition to the actions, we have promoted reduction of electricity consumption.

Risks Related to Reputational Damage

If Sumitomo Forestry makes mistakes when addressing risks, such as climate change and the preservation of biodiversity, the Company's reputation may be damaged and earnings, such as sales, would be directly affected.

< Strategy >

The Risk Management Committee and the Sustainability Committee take a comprehensive approach to analyzing and responding to risks related to the environment, society and corporate governance from short-, medium- and long-term perspectives.

■ Addressing Climate Change

In December 2015, COP21 (2015 United Nations Climate Change Conference) negotiated and adopted the Paris Agreement, the new framework for addressing climate change starting in the year 2020. The global aim of the agreement, which entered into force in November 2016, is to maintain global average temperature levels that do not rise more than 2°C from what they were before the Industrial Revolution.

Energy Conservation and Reductions in Greenhouse Gas Emissions in Business Activities

As the impact of climate change becomes more imminent globally, companies are required to reduce greenhouse gas emissions as a measure against global warming. The Sumitomo Forestry Group declared in June 2017 that it would set Science Based Targets (SBT) under the SBT

initiative*1 and establish new greenhouse gas emission reduction targets for the entire Group. Subsequently, those targets were officially approved as SBT in July 2018. The SBT for the Sumitomo Forestry Group are as follows.

SBT (Science Based Targets)

- ① Scope 1 and 2*2
- Total 21 % reduction (Target year 2030; Base year 2017)
- ② Scope 3*2
- Total 16% reduction in categories 1*3 and 11*3 (Target year 2030; Base year 2017)



*1 The SBT initiative was established in 2015 by four organizations (The United Nations Global Compact (UNGC), CDP, World Resources Institute (WRI), World Wide Fund for Nature (WWF)) for the purpose of promoting GHG emission reduction targets based on scientific data in order to keep global warming to below 2°C compared to pre-industrial levels. In Japan, the Ministry of the Environment encourages companies to adopt SBT in their initiatives.

*2 Scope 1: Direct GHG emissions of a company, including those from fuel consumption. For example, CO₂ emissions from using gasoline in company vehicles.
Scope 2: Indirect GHG emissions (including CH₄ and N₂O) from purchased electricity and heat. For example, CO₂ emissions from using electricity in office buildings.
Scope 3: GHG emissions occurring in the supply chain. For example, CO₂ emissions when sold products are used.

*3 Category 1 (in Scope 3): GHG emissions when harvesting, manufacturing, or transporting purchased (or acquired) goods and services.
Category 11 (in Scope 3): GHG emissions when using sold goods and services.

Based on SBT, the Sumitomo Forestry Group will further strengthen its energy-saving activities, promote use of renewable energy, and take other measures to reduce greenhouse gas emissions and mitigate climate change.

< State of progress of SBT >

	Fiscal 2017 (reference year)	Fiscal 2019	Change
Scope 1 and 2 : Total 21% reduction (Target year 2030; Base year 2017)	369,785	380,641*1	2.9%
Scope3 : Total 16% reduction in categories 1 and 11 (Target year 2030; Base year 2017)	8,895,066	9,324,602*2	4.8%

*1 In fiscal 2019, factors that increased greenhouse gas emissions included the Hachinohe Biomass Power Plant starting operations in April 2018.
*2 In fiscal 2019, factors that increased greenhouse gas emissions included the increase in sales completed in the U.S. in the Overseas Housing and Real Estate Business.

Participation in RE100, Targeting 100% Renewable Energy

At the Sumitomo Forestry Group, we have positioned the “reduction of the environmental impact of our business activities” as a material issue, and endeavor to conserve energy and utilize renewable energy. As a part of these efforts, in March 2020, Sumitomo Forestry joined RE100*, an international initiative that aims for 100% renewable energy for electricity used, and accelerated its efforts to reduce greenhouse gases.

* RE100 is an international initiative that collaborates with international environmental NGOs The Climate Group and CDP. As of March 25, 2020, it had 229 member companies from around the world, including 32 Japanese firms.

By 2040, we aim to utilize 100% renewable energy for the electricity used for our Group business activities and for the fuel for our power generation operations.

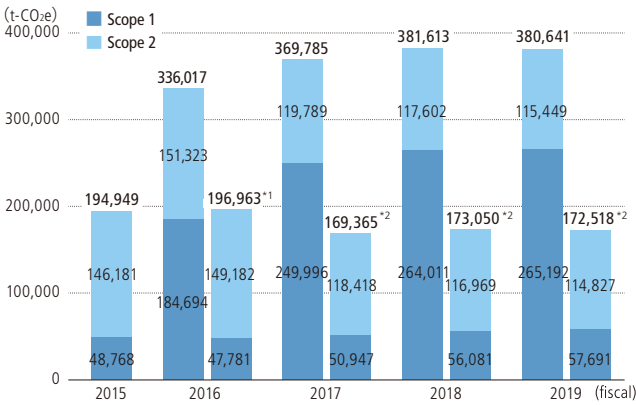
Sumitomo Forestry Group’s implementation of renewable energy includes solar power generation panels installed at our housing exhibition sites and generated power for our own use (including an adjacent wood fuel chip factory) from our biomass power generation sites. In fiscal 2019, renewable energy accounted for about 16% of our total group electricity usage. To accelerate the implementation of renewable energy, we plan to have each business division set its own targets and tackle the issue as a company-wide initiative. In Japan, for electric power used in our business activities, we are examining the use of “Sumirin Denki,” a service where we purchase surplus power as well as supply electricity generated from solar power systems of Sumitomo Forestry Home houses, and installing solar power generation systems on our plants inside and outside Japan. Furthermore, we will consider a diverse range of procurement methods that take advantage of programs in each country we operate.

Greenhouse Gas Emissions by Scope, Based on the GHG Protocol

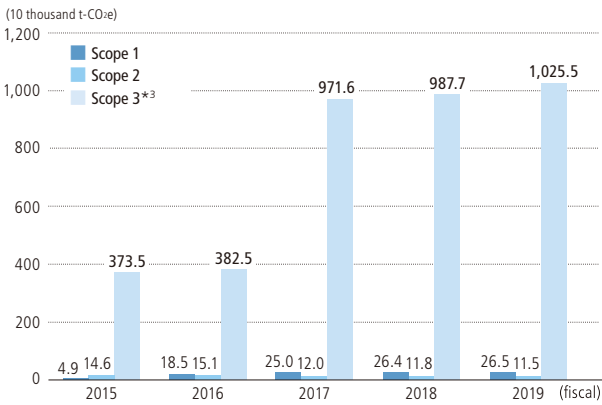
Since fiscal 2012, we have obtained quantitative data for each scope that conforms to the GHG Protocol, the widely used global greenhouse gas measurement standard. In light of increasing demand for renewable energy in recent years, the Group made entry into the biomass power generation business in 2011 and commenced operations at the Mombetsu Biomass Power Plant (consolidated subsidiary) in December 2016. While the plant’s main fuel source is unused timber from forests, coal is used as a supplementary fuel to ensure smooth operation and maintenance.

Accordingly, total CO₂ emissions for Scopes 1 and 2 for the Sumitomo Forestry Group in fiscal 2019 was 380,641 t-CO₂e, 2.9% higher than in fiscal 2017 and much higher than in fiscal 2016. Of the total for Scope 1 and 2, overseas plants emitted 28.5%, while domestic plants and the power generation business accounted for 57.0%. We started measuring Scope 3 emissions in fiscal 2013 and broadened the scope of our measurements in fiscal 2015 and fiscal 2017. In fiscal 2019, the amount came to 10.255 million t-CO₂e.

CO₂ emissions for Scopes 1 and 2



CO₂ emissions for Scopes 1, 2, and 3



*1 Excludes figures for the power generation business (Mombetsu Biomass Power Plant)
*2 Excludes figures for the power generation business (Mombetsu Biomass Power Plant and Hachinohe Biomass Power Plant)
*3 The scope for calculating Scope 3 was expanded from 3 categories to 15 categories in fiscal 2015.
The scope for calculating Scope 3 was expanded from domestic operations to the entire Sumitomo Forestry Group in fiscal 2017.

Response to TCFD

The Sumitomo Forestry Group understands that climate change poses great risks. In July 2018, the Company announced its support for the TCFD*, and began to analyze scenarios the same year. The Group envisioned conditions in the Company’s core Timber and Building Materials Business and Housing and Construction Business in 2030 according

to two scenarios. In one scenario, the average global temperature would be 2°C higher than prior to the industrial revolution; the alternative scenario analysis entailed a 4°C increase. The results of these analyses were reported to the Sustainability Committee and Board of Directors.



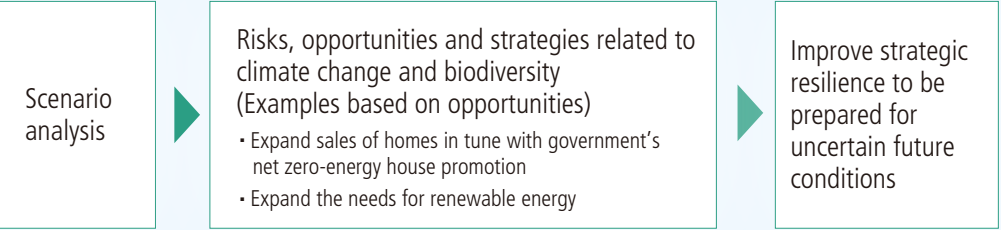
*TCFD stands for Task Force on Climate-related Financial Disclosures. The Financial Stability Board directed the creation of a task force for disclosing financial information related to climate in April 2015, which led to a framework for companies to voluntarily disclose information on climate-related risks and opportunities.

Climate Change Initiatives

Governance

- Chaired by the President and Executive Officer, the Sustainability Committee meets four times a year. The committee works to promote integration of businesses and ESG initiatives and all discussions are reported to the Board of Directors.
- The committee addresses medium- to long-term ESG issues including analysis of climate change-related risks and opportunities.

Strategies



Risk management framework



* The Risk Management Committee discusses and responds to short-term risks and risks that have become apparent.

KPIs and targets

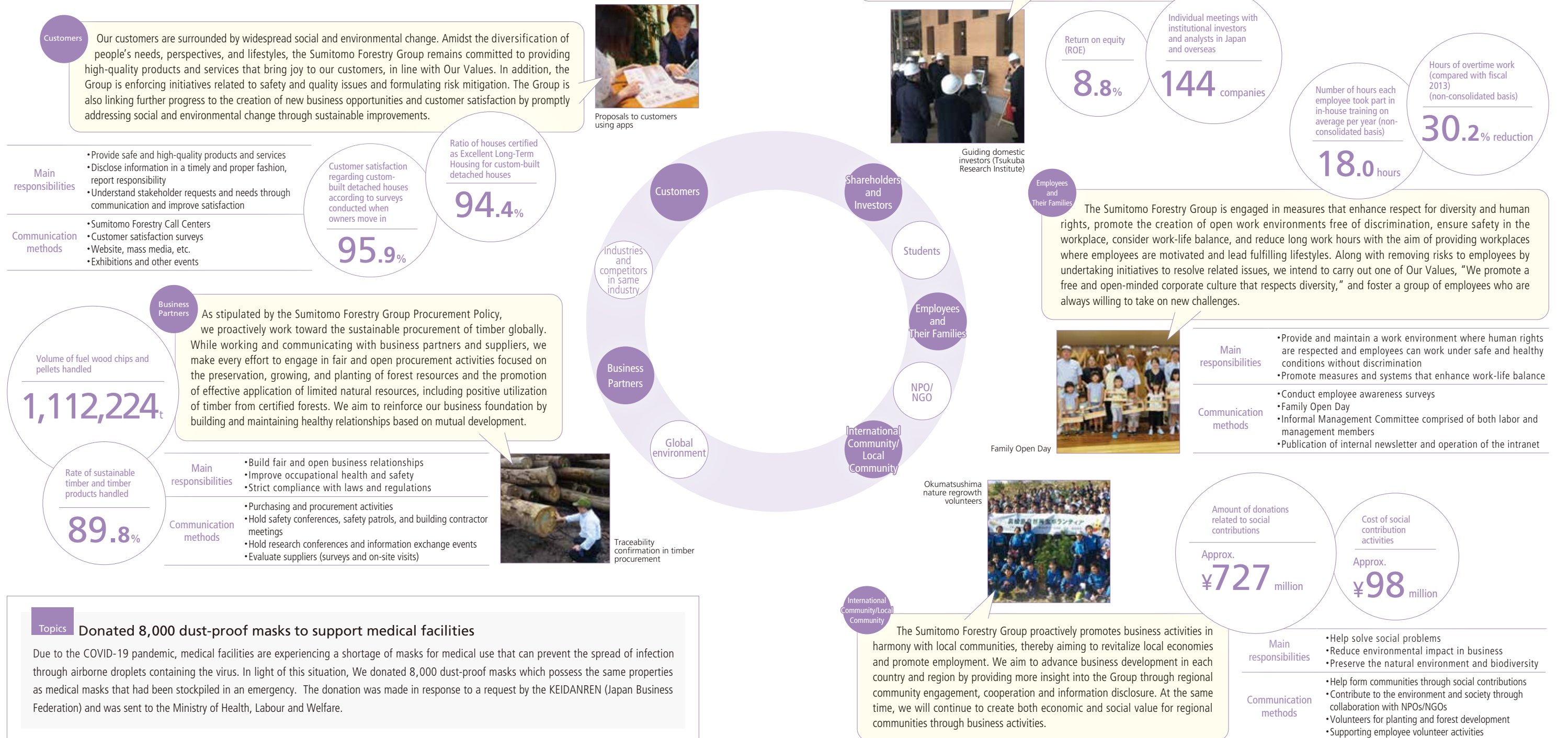
When it comes evaluation or management of climate change-related risk or opportunities, Group companies and divisions set annual numerical targets based on the Medium-Term Sustainability Targets, Science Based Targets (SBT) and RE100.



➡ Please see page 51 for SBT initiatives targeting 2030.

Stakeholder Relations

The Sumitomo Forestry Group takes advantage of various opportunities to communicate with stakeholders from a clear understanding of its role and purpose as a member of society. Through its business activities, the Sumitomo Forestry Group strives to meet the expectations and demands of a variety of stakeholders to build positive relationships.



Human Rights Initiatives

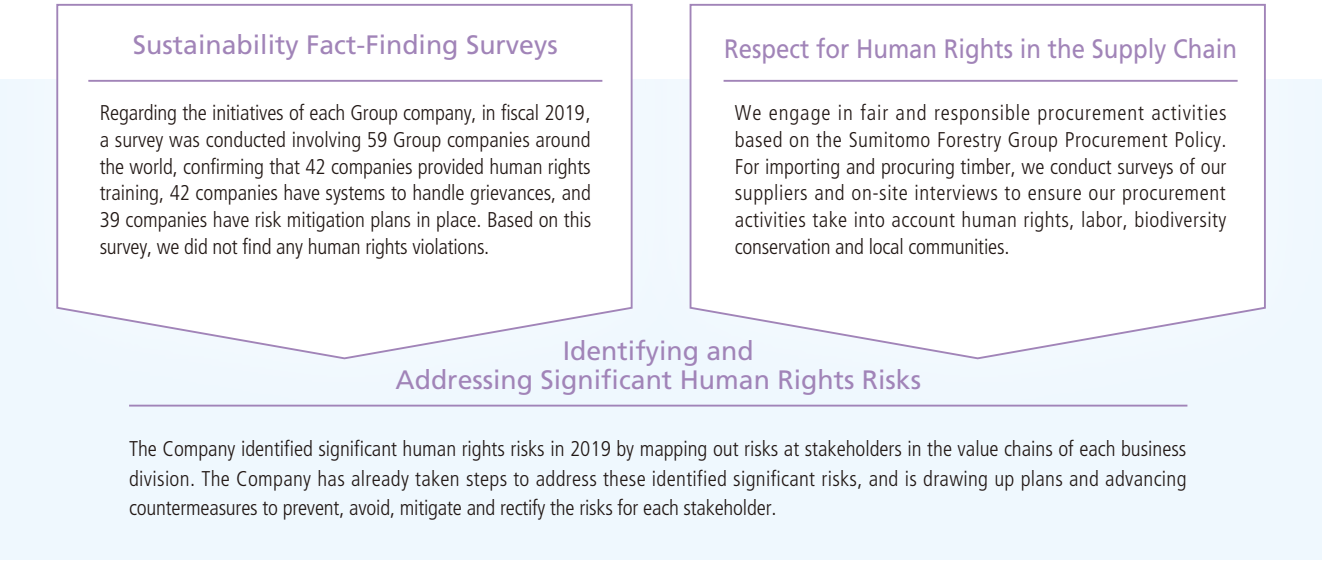
In July 2019, we formulated the Sumitomo Forestry Group Human Rights Policy based on respect for the International Bill of Human Rights (the Universal Declaration of Human Rights and the International Covenants on Human Rights), the International Labour Organization’s (ILO) Core Labor Standards, the 10 Principles of the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights. We also joined the United Nations Global Compact and World Business Council for Sustainability Development(WBCSD).

The Sumitomo Forestry Group Code of Conduct contains language for respecting human rights and creating healthy workplaces. With the aim of spreading acceptance of these policies at our business partners, we periodically conduct assessments of our partners. We also conduct due diligence of human rights,address risks related to human rights, and further engage in reducing risks related to human rights.

Sumitomo Forestry Group Human Rights Policy website ➡ <http://sfc.jp/english/corporate/philosophy/humanrights.html>

Due Diligence and Addressing Significant Risks

Through human rights due diligence, the Sumitomo Forestry Group identifies factors that may have a negative impact on human rights and works to prevent or reduce them.



Respect for Human Rights at Overseas Plantations

At our plantation forest operations in West Kalimantan of Indonesia (PT. Wana Subur Lestari / PT. Mayangkara Tanaman Industri), operations are carried out with respect for human rights and the environment. We conduct joint surveys with the International Finance Corporation (IFC), a member of the World Bank Group, and interview local residents to hear their opinions.

〈2012〉

Sumitomo Forestry signed an advisory agreement with the IFC. Along with the IFC, we conducted surveys of business locations to understand whether land usage plans at business sites were being properly implemented and adequate consideration is made for the livelihoods of local residents while respecting the rights of indigenous people and protecting cultural assets.

〈2013 and 2015〉

Public hearings were held with invitations sent to local residents, neighboring companies, academics, NGOs, government officials and other stakeholders.

〈2018〉

With help from the IFC, Sumitomo Forestry set up grievance mechanisms at WSL and MTI to collect information and opinions from local residents. With the University of Indonesia, Sumitomo Forestry launched a three-year social survey covering its business sites and surrounding areas.

Initiatives towards Sustainable Procurement

The Sumitomo Forestry Group strives to contribute to realization of a sustainable and prosperous society through business activities that utilize wood as a renewable natural resource. To undertake practical implementation of procurement activities that are considerate of economic, social, and environmental issues, we have established the Sumitomo Forestry Group Procurement Policy.

The Sumitomo Forestry Group Procurement Policy (Excerpt)

The Sumitomo Forestry Group utilizes wood as a renewable natural resource in its business operations. To contribute to a sustainable society, we are committed to procurement activities that take into account economic, environmental and societal interests and comply with the following policy:

1. Procurement based on legal and highly reliable supply chains
2. Procurement based on fair opportunity and competition
3. Procurement of sustainable timber and wood products
4. Communication

Timber Procurement Management

The Sumitomo Forestry Group established the Timber Procurement Committee, comprising managers from departments in charge of timber procurement, to promote Group-wide management of timber procurement through confirming legality of imported timber, setting procurement standards and risk assessments for illegal logging and such.

In fiscal 2019, the committee met four times and confirmed legal compliance and conducted sustainability surveys at all 162 direct suppliers subject to inspections, as well as 48 suppliers for overseas Group companies (distributors). Sumitomo Forestry periodically checks legal compliance and sustainability at these suppliers, including new and existing suppliers, once a year—no more than two years from the current year.

Initiatives for Enabling Sustainable Timber Procurement

Based on the Sumitomo Forestry Group Procurement Policy, the Group carries out due diligence to ensure the legality of our timber procurement. Each division that procures timber reports to the Timber Procurement Committee on the progress with this due diligence, and works to promote continual improvement in the supply chain.

Access to Information

The Timber & Building Materials Division, Housing & Construction Division, and the timber procurement divisions across the Group conduct due diligence to ensure suppliers supply timber and wood products that meet logging compliance requirements. Procurement managers gather information in accordance with the due diligence manual for timber procurement.

Risk Assessments and Measures to Reduce Risk

With this information sorted by country, region, wood species, and timber type, risk assessment on illegal logging or human rights violation is carried out based on procurement standards stipulated by the committee. Risk categories are A (low risk), B (medium risk) and C (high risk). Timber and wood products in the B (medium risk) and C (high risk) categories should not be solely evaluated with documentation to prove that they are legally harvested according to that country’s laws and regulations. In addition, when necessary, company staff are sent for on-site inspections to ensure traceability back to the logging site.

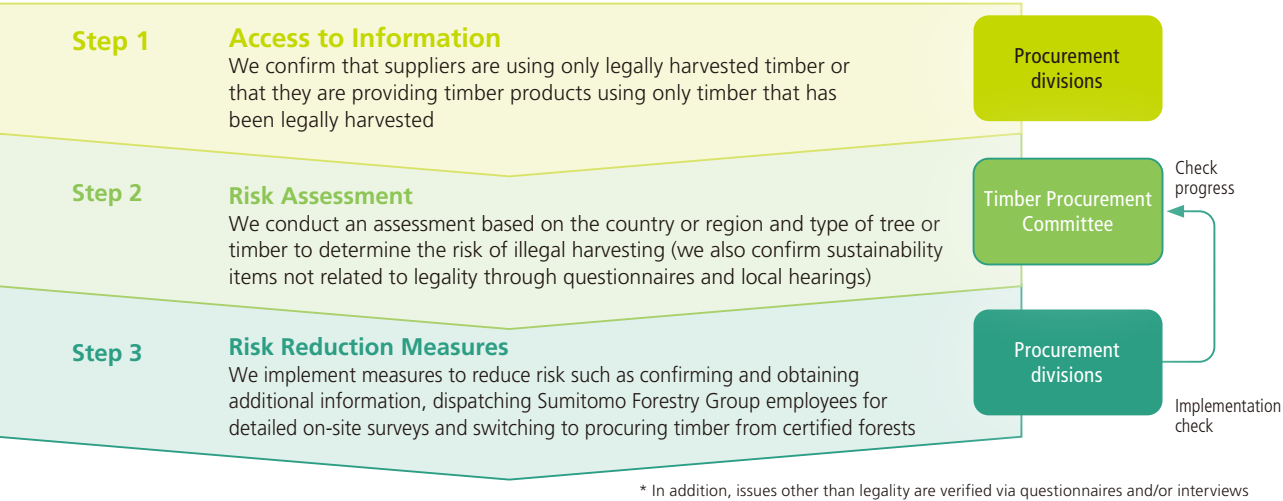
Initiatives for Enabling Sustainable Timber Procurement

Consideration for Human Rights, Labor, Biodiversity Conservation and Local Communities

The following items are checked, through supplier surveys and local interviews for the products that are being procured:

- Whether the rights of workers, local and indigenous communities are abused in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration for these rights.
- Whether forests with high conservation value are included in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration to forests with high conservation value.

Each procurement division reports the status and progress of these initiatives to the Timber Procurement Committee, facilitating continuous improvements throughout the supply chain. In fiscal 2019, based on a social and environmental perspective, we added more fundamental content to the questions in the survey which we had conducted up until now and revised it as the “Sustainability Procurement Survey.” We strengthened the management system by scoring survey outcomes to improve the visualization of suppliers’ sustainability initiatives.



Topics Sustainability Procurement Survey Conducted

Beginning in fiscal 2019, the Housing and Construction Division launched a new Sustainability Procurement Survey aimed at existing building and housing equipment customers to be conducting annually in addition to the Green Procurement Survey which was aimed at new customers. The survey, which targeted building and housing equipment manufacturers, was conducted among 30 direct customers and 12 indirect customers to assess a total of 53 items pertaining to governance, human rights and work safety committees, and the environment as well as the sustainability of timber procurement.

Before conducting the survey, Sumitomo Forestry held a briefing about the sustainability procurement survey in October 2019 for target customers. The meeting was attended by approximately 50 people, and was intended to share views about responsible procurement as exemplified by the Sumitomo Forestry Group Code of Conduct and Sumitomo Forestry Group Procurement Policy and to promote mutual understanding. With a response rate of 100%, we were able to confirm that many customers understand our views on responsible procurement. On the other hand, we held discussions and provided feedback to customers whose assessments did not meet expectations. Moving forward, we will conduct continuous follow-up.



Briefing about the sustainability procurement survey

Strengthening Sustainability Initiatives for Timber and Wood Products

Amid growing concerns over deforestation as a factor in climate change, the Sumitomo Forestry Group established a new Action Plan in May 2019, in addition to its own timber

procurement due diligence mechanism. We have reinforced and newly implemented sustainability evaluation standards for suppliers.

Policy on “Sustainable Timber and Wood Products”

In the Medium-Term Sustainability Targets as part of the 2021 Medium-Term Management Plan, we set a target of 100% procurement of sustainable timber and wood products by the end of fiscal 2021. Even in situations where legality can be confirmed, we will promote the gradual

increased use of alternative wood (natural timber from forest thinning or plantation timber) to stop the handling of items that do not fall under our definition of sustainable timber or timber products.

Our thinking regarding “sustainable timber and wood products”

1 Certified timber and pre-certified timber: FSC, PEFC, and SGEC (Regardless of CoC connection, we place emphasis on certification at time of production and promote a shift to certified timber)	2 Timber from plantation forests
3 Natural timber where forestry management and distribution can be assessed as sustainable (This does not include timber from conversion forests = timber harvested from natural forests that were converted to farm-land such as palm oil plantations)	4 Recycled timber

Engagement

As part of timber procurement initiatives, we organized a stakeholder dialogue in July 2019 to meet with environmental NGOs and ESG experts and researchers. Experts from the certified NPO Sustainable Management Forum of Japan, World Wildlife Fund (WWF) Japan, FoE Japan, Global Environment Forum, Institute for Global

Environmental Strategies, Takasaki City University of Economics and Waseda University participated to discuss various themes, such as the implementation of the Sustainability Procurement Survey, the process and time frame for improvements, timber from conversion forests and recycled timber.

A smooth response to the Clean Wood Act

In May 2017, Japan implemented the “Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products,” commonly known as the “Clean Wood Act.” This law aims to encourage the use of timber made from trees harvested in conformity with the laws and ordinances of Japan and other countries of origin, and to

form markets that exclude illegally logged wood that leads to environmental destruction. At Sumitomo Forestry, each business division has been registered as a business operator under this law, and the entire Group makes every effort to procure legal timber.

■ Diversity (Fair Employment and Benefits that Respect Diversity)

Equal opportunity and diversity in employee hiring and compensation practices are respected based on international standards for the human rights of people from all walks of life. These principles are set out in the Sumitomo Forestry Group Code of Conduct and the Sumitomo Forestry Group Human Rights Policy.

Activities for Diverse Talent Acquisition

In its recruitment activities, the Group emphasizes the ambition and volition of the applicant, and does not differentiate selection processes according to academic background or gender. At Group companies outside Japan, the employment of local staff is actively promoted, and talented personnel are employed and promoted to management positions, irrespective of race or gender.

If there has been a compliance violation, the employee will be dealt with appropriately in accordance with

Employment Regulations. Unfair dismissals are not allowed.

Sumitomo Forestry strives for talent acquisition, a major issue for management, by properly reflecting these employment and treatment policies in our recruitment activities. The Workstyle Diversification Department, an independent organization within the Personnel Department, takes the lead in supporting the activities of our diverse workforce, including female employees, re-employed retirees, and employees with disabilities.

Employment and Promotion of Women (Non-Consolidated)

(fiscal year)	2015	2016	2017	2018	2019
Ratio of female employees ^{*1}	19.4 %	20.0 %	20.4 %	21.0 %	21.6 %
Ratio of female employees in management positions ^{*1}	2.6 %	2.8 %	3.2 %	3.7 %	4.2 %
Ratio of newly graduated female recruits ^{*2}	26.8 %	22.8 %	18.0 %	24.8 %	26.9 %

Status of Female Recruitment / Employment (Domestic Subsidiaries)

(fiscal year)	2015	2016	2017	2018	2019
Ratio of female employees ^{*1}	30.4 %	30.7 %	31.6 %	32.0 %	32.7 %
Ratio of female employees in management positions ^{*1}	4.0 %	4.2 %	4.6 %	6.0 %	6.1 %
Ratio of newly graduated female recruits ^{*2}	48.0 %	40.3 %	40.2 %	43.5 %	45.7 %

^{*1} The ratio of female employees and the ratio of female employees in management positions are calculated based on the number of employees as of March 31 each year.
^{*2} The ratio of newly graduated female recruits is calculated based on the number of employees as of April 1 each year.

Employment of Persons with Disabilities (Non-Consolidated)

(fiscal year)	2015	2016	2017	2018	2019
Ratio of employees with disabilities	2.12 %	2.12 %	2.26 %	2.32 %	2.40 %

^{*} For fiscal 2017, the calculation includes special subsidiary company Sumirin Wood Peace Co., Ltd.
^{*} For fiscal 2018, the calculation includes special subsidiary company Sumirin Wood Peace Co., Ltd. and Group affiliate Sumirin Business Service Co., Ltd.

Topics Introduction of Selectable Retirement Age System

Aiming to further active careers of senior employees, in fiscal 2020, Sumitomo Forestry raised the mandatory retirement age from 60 to 65 years and introduced the Flexible Retirement Age System, which allows employees to choose a retirement age based on their life plans. Also, the Senior Human Resource Bank allows employees to work past the age of 65 if they desire. We eliminated the age limit for this program.

■ Work-Life Balance

We aim to improve employee motivation and productivity through various initiatives to create a workplace where employees can lead a mentally and physically fulfilling private life.

Initiatives to Reduce Long Working Hours

In fiscal 2017, we overhauled our personnel system and have since been placing greater importance on preventing long working hours and encouraging productivity improvements. Some initiatives include a switch to a system where overtime hours worked are actually counted (as opposed to our previous deemed working hours system), the launch of flex-time and work interval systems, and the rollout of an hourly productivity assessment system.

We recognize that long working hours pose a significant business risk; if such a situation is left ignored,

it will likely lead to occupational accidents and damage the reputation of our brand, and ultimately lead to future labor shortages. Workstyle Enhancement Committees have been set up at branches of the Housing & Construction Division to implement initiatives to reduce long working hours. Additionally, for work system and operational flow reforms at the head office, the Long Working Hours Mitigation Committee was set up within the division to lead the campaign to reduce long working hours by making system improvement proposals.

Supporting Diverse Workstyles

The 6th Next Generation Law Action Plan (Fiscal 2015 to 2019)

Sumitomo Forestry has formulated and implemented action plans for supporting employees who are raising families, in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children (Next Generation Law).

1. Host seminars themed on workstyle reforms in order to foster a work environment that actively involves female employees who are raising children.
2. Hold "Family Open Days" to create a pleasant work environment for all employees to execute their talent.
3. Establish a system in which male employees and their seniors can discuss using childcare support programs as a means of promoting paternal involvement in childcare. Also, disclose the participation status of childcare-related programs on the Company's intranet.

Supporting Workstyles for Employees Caring for Family Members

As a part of measures to help employees continue working while caring for family members, we have set up systems such as reduced work hours, in addition to revising the care leave system. Employees may take time off for the equivalent of ten days a year in 30-minute increments under our family care leave and medical leave.

Telecommuting System

We offer a telecommuting system to all employees (excluding new graduates who have been at the Company less than three years and newly hired employees yet to pass six months at the Company). There are no limitations on how long an employee may telecommute and most users utilize the system for childcare or nursing care reasons, or to avoid long commuting times.

Topics Response to the COVID-19 Pandemic

In response to the COVID-19 pandemic, Sumitomo Forestry greatly accelerated plans to expand the scope of employees eligible to work remotely, which had already been a part of plans for workstyle reforms. For now, we are promoting active use of telework for all employees as a special measure to reduce the risk of infection. As employees continue to work from home, we intend to enhance support measures for employees who are working at home, such as sending information about how to avoid insufficient exercise.

Encouraging Different Systems for Paid Leave

We encourage employees to take planned paid leave of more than 14 days every year, including so-called “refresh” leave and summer holiday leave. The average number of paid leave days used in fiscal 2019 was 11.5 (60.2%), up from 10.1 (53.2%) the previous year.

Also, for employees at our housing and construction

business branches which are opened on Saturdays and Sundays to meet with customers, we strive to improve our workplace environment by offering “Family-Friendly Day Leave.” It allows employees to take one Saturday or Sunday off every month to spend time with their family or engage in their favorite pastime.

Practicing Mental Healthcare

Based on the Guideline on Maintaining and Improving Mental Health of Workers formulated by the Ministry of Health, Labour and Welfare, Sumitomo Forestry offers care for mental health through self-care, care provided by line managers, care provided by occupational health staff within the workplace, and care using resources from outside the business.

The Company has established the Workstyle Diversification Department within the Personnel Department. In order to further enhance mental healthcare, the Company has assigned an employee who is a qualified clinical psychologist to the Workstyle Diversification Department, and has closely cooperated with an external provider of the Employee Assistance Program (EAP)* to provide follow-up support and help in returning to work for individuals with mental disorders.

* Employee Assistance Program (EAP) : A workplace mental healthcare service

Human Resource Development

Based on the concepts of autonomy and support in human resource development, we are developing employees who are highly motivated and proud to work at Sumitomo Forestry. And Sumitomo Forestry also endeavors to train personnel who contribute to the realization of its corporate philosophy by nurturing a corporate culture that is open and inclusive.

The Company promotes independent efforts for capacity building and career development, and has regulations for assisting employees who seek to obtain qualifications or take classes at external educational institutions.

Moreover, we believe it is our mission to pass along to the next generation the carpentry techniques that can be applied in a majority of situations, such as wooden houses, renovation work, and large-scale wooden structures. We are concentrating on the development of human resources with these valuable skills.

Development of the Sumitomo Forestry Business Institute

The Sumitomo Forestry Business Institute, which was created in fiscal 2011, is based on the concept of “Supporting Motivated People,” and focuses on skill development with

an emphasis on self-initiative. We also provide an e-learning curriculum that domestic Group employees can use to learn on their own.

Number of Employees Attending Main Training Programs (FY2019)

Training program	Number of people attending (non-consolidated)	Number of people attending (Group companies)
Training for specific levels (15 courses)	1,512	221
Selective training (22 courses)	150	27
Self-development training (79 courses)	182	0
e-learning (6 mandatory courses)	4,890	6,418

Hours of Training Courses Taken and Training-Related Costs per Employee (Non-Consolidated)

(fiscal year)	2015	2016	2017	2018	2019
Hours of training courses taken	9.3	9.4	13.1*	13.6	18.0
Spending on training (¥ thousand)	91	100	100	97	102

* The calculation method was changed in fiscal 2017.

Preserving Traditional Building Techniques for Wooden Houses

The Sumitomo Forestry School of Professional Building Techniques is an educational institution certified by the Governor of Chiba Prefecture, and was founded by the Company in 1988 as an in-house training center. Through a one-year training curriculum, the school provides training for new employees at Sumitomo Forestry Home Engineering Co., Ltd. who aspire to work in carpentry. In terms of construction-related subjects, students study classroom-based subjects such as an introduction to building, structures, drawing, methods of construction, materials and supervision, as well as practical subjects, including tool operation and maintenance, the traditional technique of marking timber with sumi ink and a carpenter’s square,

as well as processing, safety work, model-based practical training, demonstration-based practical training and computing. By the end of their training, the students aim to obtain Grade 2 Carpenter Skills Certification.



New Students and Performance at the Sumitomo Forestry School of Professional Building Techniques

(fiscal year)	2016	2017	2018	2019	2020
Number of new students	63	67	69	57	61
Number of graduates	61	66	68	55	-
Students who acquired Grade 2 Carpenter Skills Certification	57	49	62	55	-

Winners of WorldSkills Competitions

(fiscal year)	Participants in WorldSkills competitions		
	Regional competition (Chiba Prefecture event)	National competition (Chiba Prefecture representative)	International competition
2010	28 people (all 28 received a skills certificate)	5 people (one gold, one silver, one bronze, two medallions for excellence)	
2011	27 people (all 27 received a skills certificate)	5 people (one silver, one medallion for excellence)	1 person (silver medal at the London competition)
2012	40 people (all 40 received a skills certificate)	5 people (one silver, two bronze, two medallions for excellence)	
2013	35 people (28 received a skills certificate)	5 people (one silver, two medallions for excellence)	1 person (medallion for excellence at the Leipzig competition)
2014	56 people (46 received a skills certificate)	4 people (three medallions for excellence)	
2015	57 people (54 received a skills certificate)	2 people (two silver)	
2016	61 people (57 received a skills certificate)	5 people (one bronze, two medallions for excellence)	
2017	65 people (49 received a skills certificate)	7 people (three bronze, three medallions for excellence)	
2018	68 people (62 received a skills certificate)	7 people (one gold, two silver, one bronze, three medallions for excellence)	
2019	55 people (all 55 received a skills certificate)	8 people (one silver, two medallions for excellence)	1 person (Kazan competition)



National competition of WorldSkills in fiscal 2019